

Message Text

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ACTION AID-31

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C O R R E C T E D C O P Y (TEXT PARA 2)

PASS TO AID AND OPIC

E.O. 11652: N/A

TAGS:

SUBJECT: ASHUGANJ FERTILIZER - LACT OF OPIC INSURANCE FOR AID
PROJECT CONTRACTORS

1. THE URGENCY OF THE ASHUGANJ FERTILIZER AND CHEMICAL COMPANY (AFCC)'S NEED TO ENTER INTO A CONTRACT FOR THE CONSTRUCTION OF A COMPRESSOR HOUSE HAS HIGHLIGHTED THE DIFFICULT POSITION BANGLADESH HAS PLACED ITSELF IN BY FAILING TO SETTLE OPIC BELBAGCO CLAIM AND THUS MAKE AVAILABLE OPIC INSURANCE FOR U.S. CONTRACTORS. QUICK ACTION BY THE BDG TO SETTLE OPIC/BELBAGCO CLAIM WILL BE REQUIRED TO PREVENT FURTHER DELAYS AND COST INCREASES IN ASHUGANJ PROJECT.

2. AFCC INFORMED USAID SEPT. 28 THAT VINNELL CORPORATION, THE LOW BIDDER FOR ITS COMPRESSOR HOUSE CONTRACT, (DOLS 4.1 MILLION), WAS NOW ASKING AN ADDITIONAL DOLS. 110,000 TO COVER COST OF PRIVATE INSURANCE SINCE OPIC INSURANCE WAS NOT AVAILABLE. AFCC BELIEVED VINNELL REQUEST WAS UNJUSTIFIED SINCE THE NON-AVAILABILITY OF OPIC
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COVERAGE, AFCC FELT, SHOULD HAVE BEEN KNOWN BY VINNELL WHEN IT SUBMITTED ITS BID IN JULY. VINNELL'S BID TENDER REMAINS VALID FOR ACCEPTANCE UNTIL SEPT. 30. THEREFORE AFCC IS ANXIOUS TO FINALIZE THE CONTRACT AWARD.

3. IN MEETING ON SEPTEMBER 28, COMPANY MANAGEMENT DECIDED IT SHOULD USE ONE OF THE FOLLOWING ALTERNATIVES:

(A) APPROVE AND SIGN VINNELL CONTRACT, BUT WITHOUT
EDTRA DOLS 110,000; OR

(B) SEEK TO CONTRACT WITH THE OTHER FIRM WHICH BID ON THE
COMPRESSOR HOUSE, KOREA DEVELOPMENT CORP.; OR

(C) SEEK TO ENTER INTO A CONTRACT WITH A BANGLADESH FIRM.
AFCC BELIEVES BANGLADESHI CONSTRUCTION CONTRACTORS COULD HANDLE
WORK AND THAT THE COST MIGHT BE SUBSTANTIALLY LESS THAN AN
INTERNATIONAL FIRM.

4. THE ALTERNATIVES ABOVE WERE DISCUSSED IN A TELEPHONE
CONVERSATION BETWEEN USAID AND AID/W OFFICERS SEPTEMBER 29
AND THE VIEW OF AID/W WAS THAT AFCC SIGNATURE OF VINNELL
CONTRACT SHOULD BE ENCOURAGED.

5. AMBASSADOR AND AID MISSION DIRECTOR REVIEWED SITUATION
MORNING OF SEPTEMBER 29. IN THE DISCUSSION, IT WAS NOTED THAT
BESIDES THE IMPENDING COMPRESSOR HOUSE CONTRACT, AFCC WILL
VERY SOON RECEIVE BIDS ON A MULTI-MILLION DOLLAR CRANE
RENTAL CONTRACT AND THE LACK OF OPIC COVERAGE FOR CRANE
RENTAL COULD NECESSITATE THE OPENING OF A DOLS 10-15
MILLION LETTER OF CREDIT BY BDG TO INSURE THE EQUIPMENT
OWNER. AMBASSADOR ASKED USAID FIRMLY TO MAKE KNOWN TO
AFCC AND TO BDG THE UNAVAILABILITY OF OPIC INSURANCE
WITHOUT A SETTLEMENT OF THE BELBAGCO CLAIM AND THE
UNACCEPTABLE EFFECT THE LACK OF OPIC INSURANCE COVERAGE
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WOULD HAVE NOT ONLY ON THE COMPRESSOR HOUSE AND CRANE
CONTRACTS FOR ASHUGANJ BUT OTHER PROJECTS FOR WHICH THE
BDG WOULD LIKE TO INVITE INTERNATIONAL BIDS AS WELL.

6. FOLLOWING MEETING WITH AMBASSADOR, USAID INFORMED
AFCC THAT: (A) AID ENCOURAGED AFCC TO CONTRACT WITH
VINNELL SINCE VINNELL WAS LOW BIDDER; (B) IF VINNELL
WAS INSISTENT UPON DOLS 110,000 FOR INSURANCE, AID UNDS
WOULD NOT BE AVAILABLE FOR SUCH AN ITEM SINCE THEY WOULD BE
UNNECESSARY IF BELBAGCO CLAIM WERE SETTLED; (C) USG
REGARDED OPIC SITUATION AS SERIOUS FOR AFCC AND FOR
BANGLADESH SINCE COMPRESSOR HOUSE, CRANE RENTAL AND OTHER
CONTRACTORS WILL LIKELY BE AFFECTED; USG WOULD CONSIDER
AWARD OF COMPRESSOR HOUSE CONTRACT TO ANOTHER FOREIGN
FIRM BECAUSE OF INCREASE OF DOLS 110,000 WOULD BE
HARMFUL TO U.S. ECONOMIC ASSISTANCE RELATIONSHIP WITH
BANGLADESH; (D) IF LOCAL CONTRACTOR IS TO BE RETAINED FOR
COMPRESSOR HOUSE CONSTRUCTION, LENDERS AND PRIME CON-
TRACTOR, FOSTER WHEELER, WOULD HAVE TO AGREE. AFCC
OFFICIAL SAID HE WOULD CONTACT USAID SEPTEMBER 30
WITH COMPANY'S DECISION.

7. MISSION DIRECTOR HAS APPOINTMENT TO CALL ON BDG
SECRETARY OF INDUSTRIES SEPTEMBER 30. SECRETARY, MATIUL ISLAM,
IS CONCURRENTLY CHAIRMAN AFCC.

8. THE AMBASSADOR BELIEVES IT PARTICULARLY IMPORTANT THAT THE
USG STAND FIRM AND MAKE NO EXCEPTIONS TO DECISION TO DENY OPIC
INSURANCE TO ALL APPLICANTS UNTIL BELBAGCO CLAIM IS SETTLED.
OTHER METHODS HAVE NOT BROUGHT SETTLEMENT OF THIS ISSUE AND
USG CREDIBILITY REQUIRES WE NOT ALTER POSITION WE HAVE CONVEYED
IN THE BDG.
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